

IDAHO'S ECONOMIC MIX CHANGES IN STRONG RECESSIONARY RECOVERY

Idaho's recovery from the 2001-2002 national recession has been broad-based, building on the diversity that gave the state economy so much vitality and resilience during the 1990s.

A combination of persistent and dramatic population growth, the resurgence of the international computer chip market and an intensified campaign to recruit new businesses and help existing ones keep going and expand has put Idaho among the national leaders in economic growth.

Whether the measure is job creation or the value of production, Idaho is among the national leaders in the years since the recession.

From 2002 to 2005, gross state product, the value of all goods and services produced in Idaho, was up 29 percent, 10 points higher than growth nationally to rank sixth among the states. Only Wyoming, Nevada, Alaska, New Mexico and Florida were higher.

The figures underscore the change in Idaho's economic mix. All industry sectors exceeded the national growth rate except those linked to natural resources, the one-time cornerstone of the state economy. Management services in Idaho also lagged the national rate, and entertainment and recreation was essentially stagnant, a fallout from the national downturn, security concerns and more recently higher fuel prices.

Between September 2002 and this past September, the number of nonfarm jobs in Idaho jumped nearly 13 percent, the fourth largest increase behind Nevada, Arizona and Utah. It was three times the growth nationwide.

Again, the percentage growth in every sector in Idaho exceeded the national rate except in natural resources, where Idaho grew only half as fast as the nation.

Those 74,000 new jobs and over \$10 billion in higher productivity were spread across the entire economy, and unlike many other states it was the private sector — not government — that drove Idaho's growth.

While 18 other states saw the share of their gross state product from private industry drop or remain unchanged in the years following the recession, the value of Idaho's private sector production increased. With over two-thirds of the state in government ownership, Idaho has always had a comparatively large federal, state and local government labor force contributing to gross state product. But even so, the private sector's share of the gross state product rose from 85.1 percent in 2002 to

86.4 percent in 2005. Only three other states — Alaska, New Mexico and Wyoming — posted larger increases.

FYI Table 1: Idaho, U.S. Gross State Product Percentage Growth, 2002-2005

Sector	Idaho	U.S.
Total Gross Domestic Product	28.75%	19.34%
Private industries	30.76%	19.75%
Agriculture, forestry, fishing and hunting	10.56%	24.75%
Mining	70.59%	100.47%
Utilities	21.96%	15.23%
Construction	32.53%	23.07%
Manufacturing	42.99%	10.64%
Durable goods	71.64%	12.09%
Nondurable goods	-9.44%	8.70%
Wholesale trade	28.58%	19.13%
Retail trade	31.22%	15.16%
Transportation and warehousing, excluding Postal Service	23.13%	18.94%
Information	53.65%	19.74%
Finance and insurance	47.67%	22.95%
Real estate, rental and leasing	28.48%	18.47%
Professional and technical services	30.19%	22.28%
Management of companies and enterprises	13.22%	25.48%
Administrative and waste services	42.02%	25.19%
Educational services	25.96%	21.24%
Health care and social assistance	24.62%	22.38%
Arts, entertainment and recreation	1.33%	15.17%
Accommodation and food services	24.63%	21.08%
Other services, except government	22.01%	16.67%
Government	17.29%	16.38%

Source: Bureau of Economic Analysis

The percentage increase in the value of Idaho's retail, information and administrative services sectors was higher since the recession than for any other state, a response to the state's rapid population growth. The state's population has increased more than twice as fast as the national population since the 2000 census. Only Florida, Arizona, Nevada, Georgia and Utah can also say that.

Construction expansion has been a driving force behind the state's economic growth. Construction values exceeded \$4 billion statewide for the first time in 2005 as the rising population demands more housing and services, and the value of work through the first half of 2006 was running ahead of the 2005 pace.

FYI Table 2: Nonfarm Job Growth in Idaho, U.S., 2002-2006		
Sector	Idaho	U.S.
Total	12.8%	4.2%
Private Industry	14.9%	4.5%
Natural Resources	9.3%	18.2%
Construction	44.7%	11.5%
Manufacturing	-1.1%	-7.1%
Trade, transportation, utilities	10.2%	2.2%
Information	28.4%	-9.8%
Financial activities	24.1%	6.6%
Professional and business services	17.3%	9.3%
Education and health services	17.7%	10.3%
Leisure and hospitality	12.8%	9.8%
Other services	9.4%	1.0%
Government	3.8%	2.6%

Source: Bureau of Labor Statistics

The financial and real estate sectors followed the lead of construction, posting post-recession growth rates ahead of every other state but Nevada and Florida.

Growth in value from the professional and educational services sectors ranked in the top 10 among the states as did the hotel and restaurant sector, a key part of the state's tourism industry.

But a major contributor to Idaho's strong performance over the past four years has been the revival of the manufacturing sector, a comparatively small piece of the economic equation but one that generally provides higher-paying jobs with good benefits.

The value of manufacturing in Idaho jumped 43 percent since the national recession, solely on the strength of the production of durable goods, those that last at least three years.

The loss of meat packers and food processors across much of southern Idaho has put nondurable manufacturing into a tailspin. A sector that accounted for nearly 7 percent of gross state product and employed nearly 26,000 before the recession today accounts for less than 3 percent and employs fewer than 23,000

But that steady decline is being more than offset by a reinvigorated international computer chip market that has driven up prices for export companies like Micron

Technology and AMI Semiconductor and by the advent of product makers like Buck Knives, Jayco, Kiefer Built and Dutchman to name just a few.

Although still short of its strength prior to the recession, durable manufacturing is expanding again from the tough time during and more than a year after the recession. Idaho's durable manufacturing sector has been the leader in the region and second only to New Mexico nationwide.

Manufacturing peaked in terms of employment and contribution to the gross state product just prior the recession.

It provided 16.3 percent of gross state product in 2000, and in March 2001 as the first signs of the downturn were being recognized, Idaho's manufacturing payroll covered 70,500 workers, 12.5 percent of all nonfarm jobs, and totaled \$1.94 billion on an annualized basis. That was an average of about \$529 a week.

In 2002 and 2003, the sector plunged to just 12 percent of the gross state product, a 25 percent decline. Durables slipped below 8 percent and nondurables dropped to just about 4 percent.

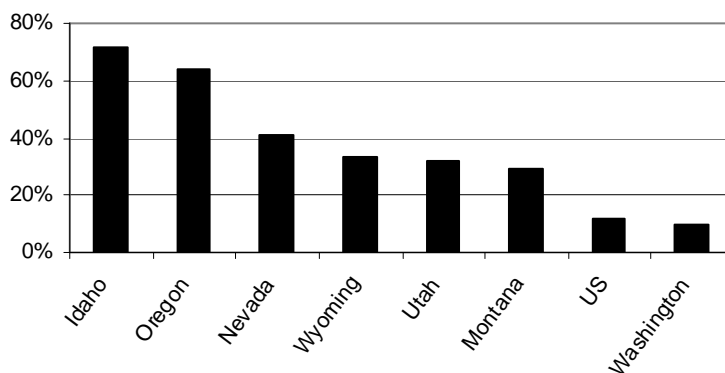
The manufacturing payroll bottomed out in late 2003 at 61,000, 10.5 percent of all nonfarm jobs, and barely \$1.8 billion in wages, annualized. Over 9,000 fewer workers were making only \$36 a week more – about \$565 on average.

By 2005, manufacturing overall had recovered to account for 13.4 percent of Idaho's gross state product. By contrast, manufacturing nationally, which had dropped from 14.6 percent in 2000 to 13 percent during the recession, kept falling to just 12 percent of gross domestic product in 2005.

Idaho's manufacturing payroll was expanding

again, and wages were rising significantly. This summer, there were nearly 64,500 manufacturing workers in Idaho, still 10 percent of the nonfarm jobs, and they were making \$2.38 billion on an annualized basis – an average of over \$710 a week.

FYI Chart 1: Durable Manufacturing Growth, 2002-2005



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